

Newsletter

MBG Equity Investment Fund, Inc.

Fund Manager's Report

For the month of January, shares lost 2.1% to 92.28, underperforming the PSEi TR which gained 3.4%. Since the Fund's inception, shares have lost 20.1%, underperforming PSEi TR which lost 9.8% for the same period. Two years into the Covid-19 pandemic, the Philippines, alongside the rest of the world, is facing a new wave of infections associated with the new Omicron variant. Following the holiday season, daily Covid cases reached a record all-time high in mid Jan of 39,004. In response, the Philippine authorities tightened restrictions across the country, implementing Alert Level 3 lockdowns throughout the month of Jan. Though the year got off to a grim start, the surge seems to have been short-lived with DOH reporting that cases have peaked and cases now on the decline. The government has since eased restrictions in the capital region to Level 2 measures in Feb, prompting optimism that Omicron driven headwinds towards business activity and consumer spending are but a temporary overhang and the economic hit potentially smaller than initially expected.

Macro data showed the Philippines accelerating in the final quarter of 2021. GDP grew 7.7% in 4Q21, resulting in full year GDP growth of 5.6%—higher than the government target of 4.5-5.5%. Inflation declined for the 4th straight month in Dec to 3.6%. Banking data has also shown encouraging signals of loan demand recovery with bank lending picking up for the 5th straight month (+4.6% YoY in Dec21). The NPL ratio fell to its lowest in 8 months as bank asset quality continues to improve, coming in at 4.35% in November. In its first meeting of the year, the BSP kept its historic policy rate at 2% to help sustain recovery.

Looking into our companies, our banking company's corporate loan demand regained some grounding in 9M21. However, it was not enough to offset the weaker demand from the consumer loans segment which accounts for ~72% of its total portfolio. Our cement company's operations have held up well and remain best positioned given its industry leading profit margins, which stood at 31% as of 9M21—well above its peers. This enables the company to cushion any foreseeable price pressures amid rising cost of goods prices. Its volumes have seen quicker than expected recovery and have already reached pre pandemic levels as early as 2021. Meanwhile our power company announced that Unit 1 of its 2-unit 97 MW power plant is now running on both natural gas and liquid fuel. The company is expected to begin importing LNG by the 3rd quarter of 2022 to serve the gas requirements of existing future gas fired plants and third parties.

With earnings season set to begin, we're looking forward to hearing how our companies' full year 2021 results fared and what they have in store for the year. We'll keep you posted on their performance. Though it was a shaky start to the year, as Peter Lynch says, "the trick is not to learn to trust your gut feelings, but rather discipline yourself to ignore them. Stand by your stocks as long as the fundamental story of the company hasn't changed." Our companies remain resilient and maintain their significant growth potential going into this new year.

With that we hope for the continued safety of you and your loved ones.

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Performance MBG Equity Investment Fund, Inc. (MBG EIFI), net of all fees (in PHP)

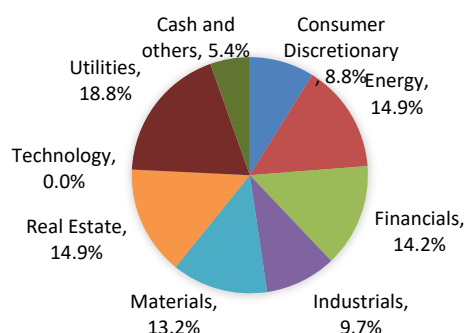
2022	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	-2.1%												-2.1%
PSEi TR ¹	3.4%												3.4%

¹ Philippine Stock Exchange Index Total Return;

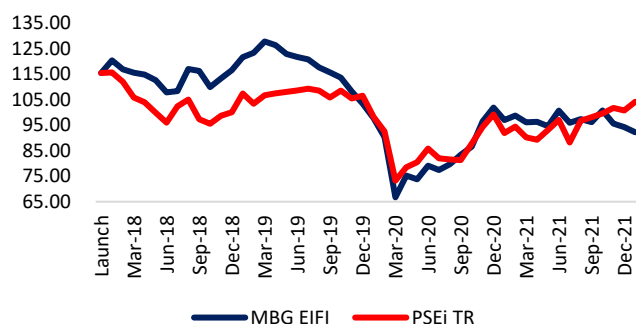
Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 2.4%	+/- 3.3%
Correlation to PSEi	0.37	1.0
Beta	0.27	1.0
Stock holdings	94.6%	100.0%
Large cap (> \$3bln)	1.1%	94.3%
Mid cap (\$500mln to \$3bln)	83.4%	4.6%
Small cap (< \$500mln)	15.5%	0.0%
Philippines allocation	98.9%	100.0%
Vietnam allocation	1.1%	Nil

Sector Allocation



MBG EIFI Performance vs. Benchmark (in PHP)



*Rescaled to 115.46 on 8 January 2018 (NAV of fund at launch date)

Class A Fund Statistics, since launch (08Jan18)

(net of all fees)	MBG EIFI	PSEi TR
Year-to-date	-2.1%	3.4%
3 months	-8.4%	4.6%
6 months	-3.8%	18.1%
1 year	-4.9%	13.3%
Launch (cumulative)	-20.1%	-9.8%
Launch (annualized)	-5.4%	-2.5%
Months with gains	40.8%	55.1%
Volatility of returns p.a.	11.3%	18.3%
1-yr Sharpe ratio (RFR 6%)	-0.79	0.51

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Fund Information

Launch date	January 8, 2018
Management fee	2%
Performance fee	10% with High Water Mark
Minimum subscription	PHP 100,000
Dealing	Daily
Subscription notice	5 business days
Redemption notice	7 calendar days
Lock-up period and penalty	1 year; 5% penalty
Fund AUM	PHP 151 million
FATCA categorization/ GIIN	Registered deemed-compliant foreign financial institution under Model 1 IGA/ 6XW2RW.99999.SL.608
Investment manager	MBG Investment Management, Inc. (Licensed Investment Company Adviser) SEC C.R. No. 01-2017-00284
Custodian	Standard Chartered
Auditor	SGV & Co. (Ernst & Young Ltd)
Legal advisors	Mata-Perez & Francisco
Stock Transfer Agent	BDO Unibank
Fund Manager	Joseph Alvin C. Tan MBG Equity Investment Fund, Inc. info@mbgfunds.com www.mbgfunds.com Tel: +63 2 956 7254 Fax: +63 2 956 7065